

## **Friday, September 12th, 2008**

**Energy:** As I have told you before, I do not expect much action on anything in Washington prior to the election unless it is something with a looming deadline. Well, the big looming deadline on the energy front is the Sept. 30th expiration of the Congressional ban on offshore oil and gas drilling. The President has already removed his executive order ban so if the Congressional one expires, offshore drilling will be allowed nationwide on October 1st.

The way things work back here is that the majority party, whichever one that happens to be, does not like to let the minority party decide the fate of major issues. After all, the benefit of having the majority is that you get to decide those things and not the other guys. But sometimes, the majority is split on an issue and the minority is united. When that happens, the majority is in trouble because a floor vote will mean that the minority party breaks the tie amongst the majority and the "losers" within the majority will be very mad that their leadership let the other side push this issue away from their desire. This happened when Republicans were in charge and it is happening now with Democrats in the majority.

The Democrats are horribly split on the offshore drilling issue. Some of the so-called "Blue Dog" Democrats, particularly from "red" states or oil patch states, are pushing hard to lift the drilling ban completely. But liberal Democrats primarily from coastal states (which would include Speaker Pelosi) are determined that we should not drill for oil anywhere and that we should make the ban permanent. The Democrats had 3 separate caucuses this week (that's very unusual) adding up to about 5 hours to try and resolve the issue and emerge with a unified position which would not require any Republican votes to pass.

They failed. In fact, I have been told that at one point a group of Democrats started up a "drill, drill, drill" chant to the absolute horror of the liberal group. They have apparently determined that they do not have the votes to extend the ban. So, they have to pass something else or the ban will just expire completely in 18 days. This is the power of expirations. Inaction is always easier in Congress than action and there are many ways to kill a bill and only a few to pass one. So the circumstances definitely favor expiration and virtually all Republicans are in favor of expiration.

But the battle is far from over. Speaker Pelosi announced yesterday that they are working

towards a bill that would allow states to "opt in" to allow drilling 50-100 miles offshore. But none of the royalty revenue (traditionally 18% of the extracted value) would go to the states. So, the states would have no financial incentive to allow the drilling. Also, the horizon is only about 14 miles out so allowing drilling 25 miles out has no visual affect from the shore. But apparently there are not enough Democratic votes even for that plan right now and I don't expect any Republicans would support it because it really is a "no drilling plan."

Republican leadership is actually pushing for their "all of the above plan" which includes coal to liquids, Alaska drilling, nuclear, wind and solar and biofuel incentives and regulatory streamlining. But since there are no deadlines associated with this stuff, I expect the fight to be over offshore and the other battles will have to wait for the next Congress.

Of course even if the Democrats agree on something and pass it over Republican objections, if it doesn't pass the Senate or the President doesn't sign it, then we go right back to the inaction scenario, which is what we want (or at least me and a vast majority of the American people), the expiration of the ban.

I will keep you posted.

**Other Stuff:** Most other legislation is being held up until the energy issue is resolved. This is because the Democratic leadership is worried that other bills could have energy related amendments brought forward and that they would lose control of the issue. But at some point we will need to pass a continuing resolution to fund the government until after the presidential inauguration since a budget will not have been passed. The Democrats also want to pass a so-called "Stimulus II" package which will be a whole bunch of new welfare and other spending disguised as fiscal stimulus. This may become a Christmas tree of spending which usually attracts a bipartisan coalition of spenders and is likely to pass. Many of those members who vote for this will go home in October and talk about how terrible the deficit is after just voting to dramatically increase it.

**Speaking of deficits:** The Congressional Budget Office came out this week and noted that they project record or near record deficits for each of the next 3 years. Furthermore, federal spending is estimated to be an average of 21.1% of gross domestic product (GDP) for the next 5 years and 21.5% of GDP for fiscal 2009 which begins in 19 days. The highest that federal revenues have ever been is 20.9% of GDP. That was in 1944 during the height of World War II. So, do the math. Spending, even without socialized medicine and the additional spending that

may be added in the next 2 weeks, is set to be higher than tax revenues have ever been! Even when the income tax was 70%, we didn't take that much of the entire economy into the federal government.

The moral of this story is you cannot tax people enough to spend what we are spending now not mention what we may spend if Senator Obama and Speaker Pelosi were to get their way. We must get spending under control.....period.

Until next week, I remain respectfully,

Congressman John Campbell